JULY 24, 1967

GOVERNMENT REPORTS ON THE KENNEDY ROUND

FRANCE'S DAIRY BOOM

ARGENTINA'S FACREA

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FOREIGN AGRICULTURE

Including FOREIGN CROPS AND MARKETS

A WEEKLY MAGAZINE OF THE UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE

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VOLUME V • NUMBER 30

Ambassador Roth addresses the U.S. Chamber of Commerce Conference on the Kennedy Round, while Chamber President Allan Shivers awaits, with the Secretaries of Commerce and Agriculture, his turn on the podium. (See stories on pages 3 through 7.)

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Foreign Agriculture is published weekly by the Foreign Agricultural Service, United States Department of Agriculture, Washington, D. C. 20250. Use of funds for printing this publication has been approved by the Director of the Bureau of the Budget (December 22, 1962). Yearly subscription rate is $7.00, domestic, $9.25 foreign; single copies are 20 cents. Orders should be sent to the Superintendent of Documents, Government Printing Office, Washington, D. C. 20402.

Agriculture, Business, and Labor Look at the Kennedy Round

—as the U.S. Chamber of Commerce sponsors an assessment conference, at which government leaders in these fields present the results of the negotiations.

Just a week after the close of the Kennedy Round (the Sixth Round of Trade Negotiations under the General Agreement on Tariffs and Trade), representatives of the Nation's business community gathered in Washington at the invitation of the U.S. Chamber of Commerce. Their purpose was to hear, from government officials closely concerned with the negotiations, what the agreement just signed in Geneva will mean to the major sectors of the U.S. economy. Leading off this July 7 National Conference on the Kennedy Round was Ambassador W. R. Roth, *the President's Special Representative for Trade Negotiations. Highlights of his and other addresses follow.*

The GATT Secretariat has made preliminary estimates that the agreement covers more than $40 billion in world trade, that 70 percent of dutiable imports of the major participants is affected, that two-thirds of the tariff reductions were 50 percent or more, and that the nations making concessions account for 75 percent of world trade. This is an accomplishment of far greater magnitude than that of any previous trade negotiation in history.

A brief history of the Kennedy Round

In 1962, the 87th Congress passed the Trade Expansion Act in response to President Kennedy's request for bargaining power to launch a major assault on barriers to international commerce. He was authorized to cut our tariffs by half in exchange for equally advantageous benefits from our trading partners.

Armed with the new negotiating authority, the United States encouraged the convening of an international negotiating conference. An initial ministerial-level meeting was held in Geneva in May 1963. Negotiations formally began a year later.

Most of the major participants agreed to proceed on the basis of a 50-percent linear—that is, across-the-board—cut in tariff levels on nonagricultural products. Exceptions, or those items *not* to be subjected to the full cut, were to be limited to those required by reasons of overriding national interest. Exceptions lists on nonagricultural products were exchanged on November 16, 1964. There followed a period of intensive examination of exceptions both on a multilateral and bilateral basis—each country making known its interest in the proposals of the *other* participants. Negotiators appeared to be horror stricken at the protectionism of their trading partners.

The importance of agriculture in the Sixth Round was emphasized by the United States from the outset. We repeatedly insisted that the objective of the agricultural negotiations should be effective trade liberalization. The European Economic Community, however, sought a more limited negotiation essentially aimed at the freezing of present agricultural support levels on an item-by-item basis.

The EEC took the position it could not make agricultural offers in the Kennedy Round until its major Common Agricultural Policy regulations were agreed upon, and this work was not yet completed.

Negotiations reach crisis

A breach among the six members of the European Economic Community in mid-1965 resulted in an almost complete suspension of the Geneva negotiations lasting until the late spring of 1966.

The major decisions necessary to permit the Community to resume its Kennedy Round participation—particularly the adoption of the basis of a Common Agricultural Policy—were taken by mid-July 1966 enabling the tabling of the EEC agricultural offer in early August. This step set the stage for the beginning of concentrated multilateral and bilateral activity in Geneva beginning in September 1966.

Talks proceeded through the fall, progress was laboriously made, but, at the end of the year, all of the toughest problems remained.

As late as mid-April, the urgency of the situation was not fully recognized by other major participants, particularly the European Community. The Community negotiators were still without sufficient authorization to participate effectively. Many knowledgeable observers believed it would be impossible to conclude the Kennedy Round before midnight on June 30.

On Monday, May 15, in the early evening, Commissioner Rey and I found the basis for overall agreement in a compromise proposal put forward by Eric Wyndham White, the extraordinary Director General of the GATT. Other pieces fell rapidly into place and by the end of the evening the Director General could announce that a Kennedy Round agreement was assured.

We soon learned, however, that between assurance of agreement and signature of that agreement lay formidable obstacles. To the final hour, there were uncertainties.

U.S. preparation brought tariff gains

Throughout this negotiation, we have had designated members of the Congress and representatives of the public drawn from industry, labor, farmers, and consumers acting as members of their officially accredited delegation. Through this means, we have taken to the bargaining tables an acute sense of the need for a fair and balanced deal promoting growth in all segments of the American economy.

Our Washington organization, in developing basic policy and strategy positions, has made a conscientious effort to seek expert guidance from business, labor, and farm leaders. The President appointed a 45-member public advisory committee to the Special Representative for Trade Negotiations. A roster of 300 technical specialists has served as a constantly available source of advice on day-to-day technical problems.

Indeed, more time and effort than ever before has gone into the calculation of the value and probable effect of the concessions we have offered and received.

Tariff cuts on industrial products will be of a magnitude far greater than any previously negotiated. While concessions offered to us have not justified full use of the authority of the Trade Expansion Act, we have exchanged with major trading partners a very significant number of tariff reductions of 50 percent and many more in the 30 to 50 percent range.

We have succeeded in securing concessions on a wide variety of farm products. Of greatest significance is the successful negotiation of a world grains agreement guaranteeing higher minimum world trading prices as well as establishing a program under which other nations will share with us in the task of supplying food aid to the undernourished people in the less developed countries.

Other accomplishments

A major accomplishment was the negotiation of the antidumping code committing other countries to fair and open procedures along the lines of present United States practices. The new common antidumping regulations that are being developed by the EEC will conform with the code.

In addition, an agreement was concluded providing for the elimination of the American Selling Price system for benzenoid chemicals and the liberalization of other countries' trade barriers.

Finally, the Kennedy Round agreement has given significant assistance to the less developed countries through having permitted their participation in the negotiations without requiring reciprocal contributions from them; through special concessions on products of particular interest to them; and through the food aid provisions of the grains arrangement.

Secretary Freeman Tells Agriculture's Stake in the GATT Negotiations

American agriculture came to the Kennedy Round in a spirit of expectation. We sought a general lowering of agricultural trade barriers which would give efficient farmers, ours and in other countries, a greater opportunity to sell competitively in the world's expanding markets. We looked on the Kennedy Round as a means of helping world trade in general and our own export drive in particular.

To some extent our expectations were realized. Considering the problems encountered, we emerged with far better results than we thought possible during some of the darkest days when negotiations almost broke off.

Farm income a stumbling block

We also saw firsthand why agricultural trade negotiations are so difficult. We learned that when our trading partners resisted lowering their trade barriers on agricultural products, in most instances they were pressed by the need to protect the income of their farmers.

As a rule of thumb, around the world a farmer gets only about one-half as much income for his labor and investment as the nonfarm sectors of the respective countries enjoy.

Governments, of course, are responsive to this discriminatory situation. The lowering of agricultural trade barriers will continue to be exceptionally difficult as long as farm incomes lag so far behind other incomes.

This farm income problem is not peculiar to foreign countries. It is our problem, too. In many cases it determines our own trade positions.

The last two months the Secretary of Agriculture and senior members of the Department of Agriculture have been holding shirtsleeve sessions with American farmers all around the country, discussing the farmer's position in our economy and how to reinforce it. It was obvious at these meetings that farmers across the Nation are deeply and understandably concerned that they are not getting a fair share in our American prosperity.

Our farm prices today are lower than they were 20 years ago. Yet the cost of what the farmer buys has gone up 35 percent. Only by increasing his labor productivity 6 percent annually, more than twice the improvement made by American industry, has the American farmer managed to survive.

It is true that government payments have helped some, but even so our per capita farm income is only two-thirds of our nonfarm income.

And it would be ever so much worse if our agricultural exports had not been steadily climbing to a point where today they absorb the production from one acre out of every four of his cropland and make a substantial contribution to his total receipts. Agricultural exports are of vital importance to every American farmer.

What we gained

What did we actually get out of the agricultural phase of the Kennedy Round?

We benefited in two ways:

First, we obtained from it some modest trade liberalization. The Kennedy Round will give us better access to some important foreign agricultural markets. Concessions won at Geneva will mean larger export sales in the years ahead for many of our farm products.

Second, the Kennedy Round made us aware of the problems we still face in bringing more order into world agricultural trade. It pinpointed the problems.

As to tangible benefits from the Kennedy Round, we gained considerably in our trade in fruits and vegetables, oilseeds, tobacco, variety meats, tallow, and a number of other products. The concessions granted by other countries covered more than $900 million in their imports of such products from the United States, 1964 basis. On agricultural products accounting for over $700 million—in which we have an important export interest—they cut their duties an average of more than 40 percent.

The Kennedy Round also is giving us a new grains arrangement which will provide additional price insurance to U.S. wheat producers. This arrangement contains significant food aid provisions, completely unprecedented in any multilateral accord of which I am aware. Apart from their intrinsic humanitarian worth, and this in itself is adequate justification for them, these provisions should open new commercial outlets for wheat and to some extent, feedgrains.

Reciprocally, the United States cut its duties on some agricultural products, and imports of such items can be expected to increase moderately.

Duties covering around $500 million of the products we import were cut by an average of 39 percent. The existing duty or duty-free status of an additional $290 million worth of import products was bound against upward change. Many of our concessions relate to tropical products which we do not produce and were granted for the benefit of the developing Nations.

While bargaining is never without its "give" as well as "take," to the best of my knowledge no American agricultural producer will be exposed to serious economic injury as a result of the Kennedy Round. American farmers as a whole, because of their comparative efficiency, will be better off than they would have been had the Kennedy Round not taken place.

Concessions won at Geneva will mean increased foreign markets for a number of our farm commodities. Our agricultural exports are inevitably on an upward trend and would increase had there been no Kennedy Round. But the rate of increase unquestionably will be faster because of our negotiation successes.

The problems we still face

The Kennedy Round has shown the trouble in trying to buy—with reductions in duties—removal of the major barriers still standing in the way of international agricultural trade.

The Kennedy Round has also shown that a massive, multilateral trade negotiation involving all countries and all products may not be the best way to get at the root of agricultural trade problems. It provides too much opportunity for sidestepping the real business at hand.

It has shown with startling clarity the complex and exasperating nature of the trade barriers in agriculture and, most disturbing of all, it has shown a fundamental difference among the major trading partners as to international trade philosophy.

A concept of orderly trade is basic to a negotiation. Unless parties can agree on objectives, they rarely accomplish anything. There must be a mutuality of interest. There must be common ground in agricultural negotiations.

During this negotiation, all parties said they were trying to bring about more orderly agricultural trade, but I detected at least three different ideas of what "more orderly" meant. Each idea was put forward by a negotiating bloc powerful enough to prevent consensus.

The *first* said—let those who can, produce—whether the production is efficient or not. The only test is—are we physically capable of turning out the product and are we able and willing to bear the cost?

The *second* said—let those who can produce *efficiently*, produce. The test ought to be based upon who can produce abundantly, inexpensively, and well, and not upon who has physical capacity and strength of treasury.

The *third* said—let those produce who must produce to exist. Whether inefficient or not, if we can only produce a few products, let us produce them and sell them because we must. This last view, of course, is put forward with increasing intensity by the less developed countries, which, in many cases, have neither the resources to produce cheaply and well, nor the financial capacity to subsidize heavily.

Given these major conflicting views, is it any wonder that we were unable to make in this negotiation all the changes we desired?

Many nontariff barriers remain

The Kennedy Round was primarily a tariff negotiation. Tariffs remain an important means of protecting producers in many parts of the world. But in agriculture, particularly, other barriers are numerous and complex. Negotiators met with only limited success in removing or lowering them and, on the really hard-core products, had no success at all.

The European Economic Community attempts to keep domestic agricultural prices high, for most products, through a variable levy system. The EEC sets the prices, and the variable levies remove the effect of outside competition. This is truly a formidable barrier to trade.

The United Kingdom favors the deficiency payment support system. Internal consumer prices are allowed to seek their own level. But producer returns are kept at government-set levels through producer payments. The impact of this system on exporters is more obscure, but severe nevertheless.

We have our support programs in the United States, also. In some cases—in cotton and wool—the program is a combination of deficiency payments and tariffs or quotas. In dairy, it is a combination of a support price and quotas and tariffs. In grains, we use a certificate program. Our system is different from others, in that in many cases we tie payments to acreage reduction. In this manner we prevent price-depressing surpluses. The United States is the only country in the world that has taken on the exceedingly difficult, politically hazardous, yet important task of limiting production. If we *didn't* do so, there would be a growing world surplus in the grains, cotton, and tobacco with resultant international trade chaos. Yet this major contribution to orderly world trade goes largely unnoticed.

Export assistance and its repercussions

Government support programs often lead not only to import control but also to export assistance. The EEC has such export assistance. Denmark uses a two-price system in which prices for products marketed at home are held at one level, while exports are marketed well below that.

Other countries use marketing boards that have great flexibility in price practices.

Because of such programs, just the other day I had to make the very difficult decision to recommend sharp restrictions on imports of dairy products into the United States. This was not a pleasant decision. A country which exports as much as we do must be prepared to import as well. But the dairy trade had become sick. Under the EEC system of high dairy support prices protected by variable levies, production has increased to the point that heavy surpluses of butter and cheese are a glut on the EEC market. Under such circumstances, an EEC export program operates almost automatically to move these surpluses out of the EEC, regardless of their impact on the trade of more efficient suppliers or on the economies of importing countries.

EEC butter, produced at a price of 60 to 65 per pound, was being sold in the United States for around 22 cents per pound. It was entering the United States as a butterfat/sugar mixture in circumvention of existing U.S. import controls on butter, and in quantities that were interfering with the operation of our own support program.

You will recall that not too many years ago the United States also had burdensome surpluses of dairy products. But we didn't dump ours indiscriminately into the international market. We stored them and used them at home in school lunch programs and to feed our needy. We moved them abroad only when demand was such that they did not disturb the international market. It is a pity that other major producers have not practiced similar restraints.

What should our agricultural trade policy be?

It can be seen, then, that even if countries were agreed on the kind of order they wanted to put into the international trading system, the task of reshaping its numerous and complicated systems and barriers would be a formidable one. Even to catalogue and understand them is difficult. To deal with them all at one time in a comprehensive way is virtually impossible. This also we learned from the Kennedy Round.

How then can we deal with these barriers? What kind of plan can be used?

The underlying objective in U.S. agricultural trade policy must continue to be one of orienting agricultural trade to production efficiency.

In other words, those who can produce abundantly, inexpensively, and well, should produce and should be leaders in trade.

There will be exceptions, of course. If some countries insist on producing at heavy cost simply because they are so inclined and have the money, we can't prevent them. But we can try in every way we know to show them *that* they are wrong and *where* they are wrong, and try to get them to move toward the principle of comparative advantage.

We should start by focusing our attention on individual products or, at most, product groups, and we should seek to deal in depth with the barriers affecting them. I think we should start such explorations among key countries in the very near future.

In the work that lies ahead, we need also to recognize that the Kennedy Round had more significance for the industrialized nations than for the developing countries.

The United States tried hard to make the Kennedy Round meaningful for the less developed countries. In agriculture, we cut and in many cases eliminated duties on tropical products valued at almost $120 million—products such as Indian cashew nuts, Brazil nuts, Philippine desiccated coconut, and so on. We committed ourselves not to put duties on fresh bananas and other products now duty free to the amount of another $140 million. And we cut duties on some temperate products in which the developing countries have a trade interest approaching $70 million. I know of no other area of the world that did as much in this way as the United States.

And much more needs to be done along these lines by all trading partners. President Johnson said last year at Punta del Este: "We are ready to explore with other industrialized countries—and with our own people—the possibility of temporary preferential tariff advantages for all developing countries in the markets of all the industrialized countries."

In other words, there may need to be special trade programs in addition to the special aid programs through which we have been extending technical, food, and other forms of assistance for a number of years.

This is not something that will come about quickly. But as part of the complex problem of helping the less developed countries to emerge, we do need to be open-minded about their obvious need for remunerative markets for what they produce. Only by having such markets can they ever hope to pay their own way.

It is in our own interest that these nations grow to a trade basis. We are spending millions upon millions of dollars today in carrying out our worldwide technical, economic, and food aid programs. Our objective must be to turn this one-way flow into a two-way trade flow—and the only way this can happen is for the less developed countries to become stronger trading partners.

The largest potential market in the world lies in the less developed countries with their large populations and largely underdeveloped resources. We see evidence of this market's awakening. There needs to be—and can be—a general springing to life in country after country. Modern man is an economic being. There is no tonic more powerful in bringing about this action than available markets for what the less developed countries have to sell—which, in turn, will make it possible for them to buy the things they need from us.

What we see ahead for U.S. agricultural trade

In this trading world of the future—which the Kennedy Round and its lessons will help to shape—I see American agriculture playing an even more extensive role in feeding and clothing the world than it is playing today. And I see this role carried out increasingly through commercial, dollar-earning export trade.

During the fiscal year just ended we exported a new record value of $6.8 billion worth of agricultural products. A record $5.4 billion of this was in dollar-earning commercial sales.

A total of $8 billion in U.S. agricultural exports by 1970 is a target we expect to reach. And we will go on from there, I predict, with $10 billion in U.S. agricultural exports by 1980.

Further, I look for the big increases to take place in the dollar-earning type of exports, which are giving timely and strategic assistance to our Nation's balance of payments.

Part of this continuing advance in our agricultural exports will come about through continued lowering of trade barriers throughout the world. Our products are competitive and they are needed. In many countries the continuing pressure for supplies will override pressure for self-sufficiency.

And as trade barriers are eased, we will continue—as we are doing—to follow up with aggressive market development actions. The Department of Agriculture is teamed today with U.S. trade and agricultural groups to promote sales of our farm products in more than 70 countries. This work is effective and is one of the strong reasons for my optimistic predictions.

American agriculture has immense and growing influence in world affairs today. This influence will grow as world population and incomes rise and demand is strengthened for the food and fiber we can produce with such efficiency.

But trade, ultimately, is the conduit through which the bounty we produce can reach foreign consumers. Fundamental to that trade is the extent to which the world allows comparative advantage to function.

The Kennedy Round resolved only some of agriculture's trade problems. Many remain. But I think the Kennedy Round did help to clarify the thinking of our own participants and of our trading partners. It gave us new insight and perspective as we try again.

And we must try again and keep trying. Only as trade in food and agricultural products is allowed to flow in a relatively unrestricted manner will the world's people share, as they should and must, in all the good things that modern science and technology can make available.

Some Implications of the Kennedy Round for Business and Labor

At the National Conference on the Kennedy Round, Alexander B. Trowbridge, *Secretary of Commerce, reported on the stake of business in the negotiations;* James J. Reynolds, *Under Secretary of Labor, on that of labor.*

What American business got from the Round, Secretary Trowbridge reported, was a total concession package running close to $8 billion, on the basis of trade coverage: tariff concessions of mostly 50-percent reductions on about $7 billion worth of U.S. exports, plus close to another $1 billion bound in duty-free status.

These concessions were spread proportionately among major export markets. Over $5 billion in exports will benefit from concessions by the European Economic Community, the European Free Trade Association, and Japan; another $1.3 billion, from Canadian concessions.

Mr. Trowbridge pinpointed results for three major sectors—steel, textiles, and chemicals—all of them involved in the manufacture of articles American farmers must buy.

On steel—where two-way trade totaled almost $1.4 billion in 1964—the United States reduced tariffs 7 percent, the EEC and the United Kingdom about 20 percent, and Japan nearly 50 percent. Before the Kennedy Round, U.S. rates were lowest; now, rates of the major countries are approximately even, and—for the first time—the steel tariffs of all major producing countries will be bound against increase.

On textiles—where the growth of imports has been particularly strong in recent years—Mr. Trowbridge reported that in return for a 3-year extension of the Long-Term Arrangement for Cotton Textiles by exporting countries, the importing countries agreed to reductions of about 15 to 20 percent and certain adjustments in import quota levels. Said the Secretary, "Extension of the Long-Term Arrangement has been one of our chief goals in the negotiation, and we are very pleased with this settlement, as are the leaders of our cotton textile industry."

On chemicals—probably the most publicized and controversial area of negotiation—the Kennedy Round brought a two-part agreement. In the first, within the Kennedy Round package, the United States cut its duties on chemicals an average 43 percent, the EEC 20, the United Kingdom 23, Japan 44, and Switzerland 49. However, U.S. exports of chemicals benefiting by these concessions amounted to about $900 million in 1964—nearly three times the $325 million worth of chemicals imported from those countries.

The second part involves the American Selling Price system, in which the duty is levied not against the foreign invoice value of the imported product but against the U.S. selling price of the competitively produced domestic product. If Congress enacts legislation to eliminate the American Selling Price on benzenoid chemicals, a series of additional reductions in U.S., EEC, and U.K. chemicals duties will be triggered. Then, virtually all EEC and U.K. chemical rates will be at 12½ percent or below, but many U.S. rates considerably higher.

As reciprocity for the U.S. elimination of ASP, Belgium, France, and Italy will liberalize the discriminatory aspects of their road tax system; Switzerland will modify its restriction on imports of canned fruit preserved in corn syrup; and the United Kingdom will reduce its margin of preference on tobacco imports.

In removing nontariff barriers, the Secretary felt the biggest U.S. success was the negotiation of an antidumping code. Its rules, spelling out Article VI of the GATT, require no changes in U.S. legislation and very few in U.S. administrative regulations. There is now international agreement on fair and open procedures for U.S. exporters charged with dumping abroad; and Canada has made a major contribution by agreeing to require an injury finding before dumping duties are imposed.

Under Secretary Reynolds pointed out that every billion dollars' worth of goods the United States exports means nearly 100,000 jobs. The Kennedy Round tariff cuts that come into effect over the next 5 years will enable U.S. business to expand these export-related, high-wage job opportunities.

Mr. Reynolds warned against the oversimplified viewpoint that cutting imports automatically raises employment and output in the domestic industry concerned. The larger U.S. export picture, he felt, can be marred by the counter-restrictions that other countries tend to impose. "Adjustment assistance" for firms and workers affected by import competition was one of the innovations provided in the Trade Expansion Act; and Mr. Reynolds underscored its possibilities for the future.

Norway's Farm Income Expected To Rise 10 Percent This Year From Price Increases

Estimated annual net farm income in Norway as of June 1, 1967, is expected to increase by $22.5 million, roughly 10 percent over last year's. Part of this increase—$6.7 million—was determined during price negotiations in the summer of 1966 and the remainder in more recent meetings between farmers and government representatives.

Norway's Agricultural Agreement currently in effect provides for special negotiations throughout the year if the consumer price index increases or decreases by five index points and/or if operating costs increase or decrease by $7 million or more from the 1966 figure. Total operating costs in 1966 were estimated by the Agricultural Budget Commission at $308.7 million.

The current consumer price index is up somewhat from the March 1966 figure of 125.

Farm prices to rise

The increases in net farm income will in part be a result of higher farm prices. Milk prices will increase by about half a cent (estimated 1966 farm price was 11 cents per quart) to bring in $10.6 million. Beef and mutton prices paid to the farmer will increase around 1.5 cents per pound and pork prices by about 3 cents; the total increase in meat prices is estimated at $5.57 million.

Finally, grain prices will be increased by 42 cents per metric ton for wheat, rye, and barley, and 49 cents per ton for oats. The total increase of net farm income as a result of all these price measures is $16.2 million. The effect will be widespread.

Effect on consumers

The higher meat and milk prices are going to result in higher consumer prices. The government-controlled prices on milk will rise about 1 cent, cream by about 2.3 cents, and cheese (Gouda type) by 3.4 cents per pound. The effect on the consumer price index is estimated at 0.6 point by the Central Bureau of Statistics, according to the Norwegian press.

No decision has been made so far whether the higher grain prices will be indirectly passed on to the consumer, since no domestically grown grain is used for food.

The rest of the increase in farm income—$3.73 million—will be comprised of higher fertilizer subsidies ($1.4 million), government payments into a rationalization fund for agriculture ($2.2 million), a sheep compensation fund ($140,000), and an increase in the regional milk subsidies ($100,000).

—A. M. ROLLEFSON
U.S. Agricultural Attaché, Copenhagen

Spanish Grain Laws

Spain has just announced regulations for the 1967-68 grain season, continuing an emphasis on increasing production of feedgrains. Wheat support prices remain unchanged from 1966-67 ($2.71 to $3.28 per bu.) while those for feedgrains are slightly higher. They are for barley $1.78, corn $2.12, sorghums $2.07, and oats $1.11.

Storage premiums have been increased for all grains to encourage use of private facilities. Spain has a big wheat carryover and prospects for a large grain crop this year, necessitating the rise in premiums.

Premiums on wheat range from 36 cents per bushel in November to $1.13 in May. Those issued for other grains are at a uniformly lower rate, on a weight basis. Barley, for example, receives a storage premium of about 14½ cents per bushel.

Demand for Rice Spurs Mexicans To Expand Their Production

Mexican farmers continue to increase rice acreage and output to meet their needs in food production. The government has not launched any definite program to increase production since the supply and demand situation is currently providing enough incentive.

Rice output is being expanded in most areas where sufficient water is available. A relatively new irrigation project just north of Tehuantepec, where less than 2,500 acres of rice were grown last year, has over 7,400 acres planted this year.

Larger output, higher yield

Mexico's total rice production for 1966, according to latest official estimates, is 390,000 metric tons from 381,000 acres. This compares with 382,000 tons of rice planted on 378,000 acres in 1965.

These figures indicate an improvement in average yield as well—2,257 pounds of rough rice per acre in 1966 against 2,228 pounds in 1965. The leader was, as usual, the very productive northwest region where yields of rice in 1966 averaged 2,636 pounds per acre.

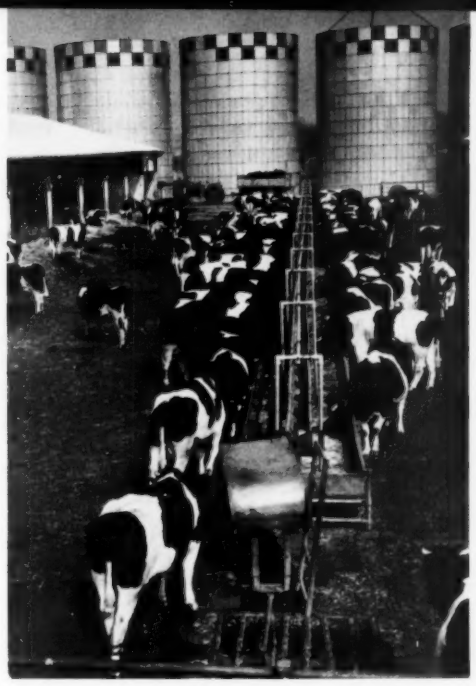
In this region the 1966 harvest totalled 128,000 metric tons on 107,000 acres, greatly improved from 1965. Nearly all the crop sold for $92 a ton. The figure includes 4,500 tons of registered seed rice from the Culiacan Valley, sufficient for the coming season. Distribution of output was as follows:

Region	*Acres*	*Tons*
Culiacan Valley	81,200	96,000
Los Mochis	19,900	25,300
Guasave	5,400	6,600

Last year, prices for seed rice ranged from $200 to $320 a ton. This year, federal authorities are trying to stabilize the price at $176 per ton or lower.

About 1,000 tons of seed will be sold to States in southern Mexico. Blue-Bonnett 50, Guasave "A" 64, and Sinaloa "A" 63 are specifically recommended. (Only these seeds and those approved by the Secretariat of Agriculture and Livestock may be sown.)

The new rice schedule permits sowing in the Culiacan area from June 1 to July 31 and harvesting from November 11 to December 25; thus planting may start 15 days earlier than before. In El Fuerte Valley, the old schedule of May 15-July 20, October 15-December 15, is still in effect. Plans for this year authorize 124,000 acres of rice in Sinaloa. Of these, 84,000 are scheduled to be planted in the Culiacan Valley.



Above, milk being delivered to a cooperative near Toulouse. Right, one of France's modern dairy farms. The dairy industry—France's largest agricultural industry—has expanded output sharply in recent years in response to progressively higher support prices.

No End in Sight to Upward Spiral of French Milk Output

High price supports and protection from the ups and downs of the world market are perpetuating France's milk boom, which has led the country to a prime spot among dairy product exporters. Accompanying this expansion are a host of problems for the French Government, not the least of which are the mounting dairy-product surpluses.

A brief look back over the past few years shows France and other countries of the European Economic Community steadily building up their milk and dairy-product output as a result of advances in the EEC milk supports. These support prices, which for France climbed from $3.49 per hundredweight in 1961-62 to $4.20 for 1967-68, have led to a complete turnabout in the EEC's market position: Once an important import market for certain dairy products, the EEC today is a net dairy-product exporter, with France alone among the top exporters.

Planned beef expansion

Strangely enough, the force behind this expansion—favorable producer prices—was largely intended to encourage production of beef, which in Europe comes from the dairy breeds. But, instead, beef production has stagnated and may continue to show little progress unless there is some reduction in grain prices or some rise in beef prices.

Another reason for maintaining fairly high milk prices undoubtedly rests on political grounds. Most dairy producers in the EEC are small farmers, and most small farmers keep some dairy cows. Therefore, a strong dairy policy was deemed essential to support the "family" farm, especially in the hilly and mountainous regions where dairying is the main source of farm income.

In any case, milk production in France has risen steadily over the past few years. Between 1961 and 1966, it advanced 7 percent to 56 billion pounds with a gain of more than 4 percent in 1966 alone. It was still growing in the first quarter of 1967.

Biggest increase in milk products

But while milk production has inched forward, factory output of milk products has soared. Dry milk production rose more than fivefold between 1961 and 1966—and another 43 percent in the first quarter of 1967—for a total that was more than half the EEC's tally and over a third of Europe's. Butter—France's major surplus item—and cheese gained by 79 and 62 percent, respectively, in the 6-year period.

A major factor behind the disproportionate rise in dried milk production is the increased sale of calf replacer, which takes the place of fluid skim milk traditionally fed to calves on the farms and releases larger quantities for processing into nonfat powder at commercial dairies.

FACTORY OUTPUT OF FRENCH DAIRY PRODUCTS

Year	Butter	Cheese[1]	Dried milk
	Mil. lb.	*Mil. lb.*	*Mil. lb.*
1961	491	747	170
1962	512	817	273
1963	743	1,039	407
1964	763	1,054	521
1965	794	1,111	754
1966	880	1,210	926
Percent gain, 1961-66	*Percent* 79	*Percent* 62	*Percent* 445

A steady advance in domestic consumption of dairy products has failed to counterbalance this production boom, forcing France to turn increasingly to the export market. Fortunately for France, its big upswing occurred about the time U.S. dairy production began falling, enabling sales in many overseas markets that otherwise would have been saturated.

Last year, these exports rose 37 percent in value, while imports fell 19 percent.

Accounting for much of this gain were shipments of powdered milk—mostly nonfat dry—which in 1966

Based on dispatches from Office of the U.S. Agricultural Attaché, Paris.

totaled 375 million pounds, or triple the 1961 level and double 1965's. With this gain, France became the world's largest exporter of nonfat dry milk. Most of last year's exports went to Italy, but France also managed to get a foothold in the Mexican market; this new market bought 36 million pounds of French dry milk last year and has contracted to take 44 million more in 1967.

Butter exports last year rose to 89 million pounds, more than 2½ times the low level of 1965 but some 21 percent below the record level of 1961. Cheese exports advanced 13 percent last year to 161 million pounds for a gain since 1961 of 89 percent.

A big development in the export market during 1966 was the sale of Colby cheese to the United States. Shipments of Colby—a new product in France—began around June or July and increased rapidly, to some 11 million pounds by the end of last year. This big sale—plus large ones by other countries—contributed to the United States imposing additional dairy product quotas beginning July 1, 1967.

To keep all of these products moving out at world prices, France has had to use export subsidies, as provided for by the EEC. The EEC Commission sets the maximum rate that member countries may pay exporters, while the individual governments then set subsidies at or below the authorized maximum. For France, these are set biweekly by FORMA—the market support and development agency—and vary from around 5 U.S. cents per pound for nonfat sold in Spain to 55 cents for butter sold in the Mideast.

Dairy surpluses mount

Despite the expanded exports last year, Interlait—the private firm responsible for price support operations for FORMA—has had to purchase large quantities of butter and cheese, thus adding to the already high dairy-product stocks.

DAIRY STOCKS HELD BY INTERLAIT FOR FORMA

Date	Butter	Cheese	Nonfat dry
	Mil. lb.	*Mil. lb.*	*Mil. lb.*
Apr. 3, 1966	90.6	5.8	9.2
June 5, 1966	119.7	24.9	37.8
Mar. 31, 1967	105.3	5.2	15.3
June 4, 1967	135.0	38.3	56.1

Biggest buildup has been in butter stocks, which reached 135 million pounds on June 4, 1967. But nonfat stocks have also shown a sharp gain in recent months, and cheese surpluses will probably mount as a result of the drop in sales of Colby cheese to the United States.

Problems of the surplus producer

Besides the increased stocks, France's dairy expansion has brought several other headaches for the government. Biggest of these is the cost of subsidizing the industry. Over the past 6 years, the government has poured some $255 million into this largest of its agricultural industries export subsidies, support price operations, and other incentives.

In addition, the industry itself is in the throes of change.

With their products in a surplus position and world market conditions increasingly important, France's dairy firms have been forced to consolidate and update and to develop new and more attractive products. Hence, just last year was born one of the world's largest exporting firms for dairy products. Called FRANCEXPA, the new firm is made up of six private factories in France, with gross sales adding up to $400 million. More private companies and cooperatives are expected to follow this lead; indeed, they may have to in order to survive. Among the alternative products being developed by these more progressive firms are freeze-dry youghurt and anhydrous butter, not to mention the ever-popular milk replacer for calves.

Still holding the industry back, however, is the conflict between cooperatives and private firms, each of which accounts for about 50 percent of factory output of dairy products. Outdated legislation results in duplication of functions for many of these firms. Moreover, the government still appears to favor the cooperatives over private firms by allowing them lower interest rates—this in spite of the fact that private firms are seemingly better able to adjust to the changing dairy situation.

More gains to come

Looking down the road, France certainly will have to resolve these problems soon, for its milk output seems destined to continue rising.

The number of dairy cows can be expected to decline somewhat in the future as inefficient farms go out of business. But expanded output per cow will keep French milk production moving upward, to an estimated 68 billion pounds by 1970; this will make necessary exports of 680-908 million pounds, milk equivalent, in the form of dry milk products, cheese, and butter. And marketing of the surplus will be increasingly difficult since in the near future all EEC countries but Italy will have excess milk production.

U.S. Farm Products Make Mileage in Thailand

American agricultural products (food and raw materials) had a banner year in Thailand in 1966, with prospects just as good for 1967. Last year sales hit more than $23 million —double those of 1962—and several commodities were introduced that promise to be good sellers in the future. Thailand has emerged as a new, strong market for American food products in the last few years because of its rapid economic growth, increased tourism, and the presence of American military personel.

Trade cooperators and FAS have carried out intensive market development programs for American farm products in Thailand since 1962 and expect that continued efforts will push total U.S. agricultural exports to $40 million in another 5 years. Six big earners have been breeding animals, wheat, tobacco, cotton, dairy products, and convenience foods.

U.S. breeding cattle sold in Thailand for the first time last year with a purchase of Santa Gertrudis (10 bulls and 40 heifers) and Brahmans (20 bulls and 30 heifers); another purchase was made last month. FAS helped finance the purchasing team which came to the United States.

U.S. wheat also made its debut in Thailand in 1966 with a purchase of 500 tons of DNS and 500 of Western White. Thais were so satisfied with the wheat and services of Wheat Associates they made another purchase later in the year bringing the 1966 volume to 9,648 metric tons.

The 1966 total is four times the volume of U.S. wheat (sold previously only as flour) imported by Thailand in any previous year. U.S. wheat flour has had a small share of Thailand's flour imports, rarely more than 5 percent of the 28,000 metric tons of flour imported by Thailand each year.

Thailand continues to be a top market for U.S. tobacco, and in terms of actual leaf buys virtually all of its requirements from American exporters. In 1966 Thailand bought 19.26 million pounds of U.S. leaf, 7 million more than in the year before.

Sales of American cotton in Thailand have also been good. Traditionally the United States has supplied about 70 percent of imports of raw cotton; in 1966 this was 72,532 bales. U.S. cotton exporters should have another good year in 1967 even though larger overall requirements have stepped up domestic production.

In 1965, an FAS Dairy Society International team opened a new market in Thailand which is paying off in sales of American-made Italian-type cheese. Thais made the first purchase of 1,000 pounds in July 1966, and after the U.S. manufacturer went to Thailand to drum up more business Thais made a second purchase of 52 cases totaling 1700 pounds, delivered in March. A third order of 100 cases is to arrive this month.

Convenience foods from the United States, until last year largely canned fruits and vegetables, have earned about $200,000 annually. In 1966 frozen strawberries and some frozen vegetables were introduced and sales soared to $400,000. A feature of stepped-up market development activities this fall will be the special exhibit of U.S. processed foods at the U.S. Trade Center in Bangkok (for details see *Foreign Agriculture*, July 3, 1967).

—Dispatch from SAMUEL H. WORK
U.S. Agricultural Attaché, Bangkok

Improved Seed: One Step Toward Closing the World Food Gap

Herbert J. Waters, *Assistant Administrator for War on Hunger, AID, spoke on seeds and the world food problem at the June 26 convention of the American Seed Trade Association. Portions of his speech follow.*

All of the major studies of the world's food problem—including the most recent one by the World Food Supply Panel of the President's Science Advisory Committee—seem to agree that the greatest hope for avoiding mass tragedy in the next 20 years rests with increasing the yield per acre on existing cultivated areas.

Package approach needed

Fertilizers often have been referred to as the best immediate solution to the problem. Yet these fertilizers must be accompanied by agronomic improvement and better seed; improved production practices; improved irrigation and drainage; changes in methods of harvesting, threshing, cleaning and storage; pest control; better varieties of crops; and—certainly—an assured supply of seed.

All of these, along with the increased use of fertilizers, will play an important and interrelated part in increasing the per acre production of food in the developing countries.

We must, therefore, have an adequate supply of seed capable of producing high yields of quality food—varieties that give a maximum response to fertilizer and water, that produce plants with resistance to insects and diseases, and that give good yields even under unfavorable conditions.

The report of the President's Science Advisory Committee predicts that by 1985, almost 1,000 additional seed-processing plants will be needed with each plant having an annual capacity of 3,000 metric tons. Approximately $200 million will be required to construct these plants, and the annual value of the output will be about $1 billion worth of seed.

Something over 30 million metric tons of seed would be required annually to supply the needs of the less developed countries. At present, probably less than 5 percent of the seed used in these countries meets any kind of minimum quality standard, or is of an improved variety. Some farmers get better seed from a successful farmer, usually a landlord or a large landowner, or from some other source. However, the fact remains that the seed production problem facing us is overwhelming, when considered in the light of requirements for production of food in the foreseeable future.

Developing nations buy more

Developing countries themselves are spending larger and larger sums of money from their free foreign exchange for improved seed.

The largest purchases we know of today are for what are commonly known as Mexican wheats, which have proven to be so popular in the Near East-South Asia Region.

Just take a look at the last 2 years for four countries.

India purchased 265 metric tons of Mexican wheat seeds in 1966, but 18,000 tons in 1967.

Pakistan started with 350 tons in 1966, boosted it to 42,000 in 1967.

Turkey bought 60 tons in 1966, and increased it to 22,000 in 1967.

And Afghanistan, just getting started with Mexican wheats, bought 350 tons this year.

Large quantities of rice and vegetable seed have also been purchased from Japan, the Philippines, and Taiwan for these same countries.

Seed presents a far different problem to the farmers than do fertilizers and agricultural chemicals.

In seed, one has the problem of adapting to climate, soil, growth habits, local preferences; and to harvesting, storage and preservation practices. All are different in various parts of each country, and the demand is not always great for any particular species or variety. With fertilizer, it is more a case of varying the amounts of the three basic elements—nitrogen, phosphorus, and potash. For seed, we need continuing adaptive research in each country itself.

Through the efforts of the USDA, the American Seed Trade Association, and individual companies, a considerable business has been built up over the years for a few types of seeds, mostly vegetable. However, the possibility for a greatly expanded export program through AID will always be limited as our goal is only to create a market which must be taken over by private industry itself.

Many varieties produced in the United States are not adapted to use in the hungry nations. A classical example is the hybrid corn, which has done so much for the U.S. farmer. In most cases, hybrids show great promise overseas, until the insects start to work, disease hits, or it is found that the varieties don't dry sufficiently or are too soft and do not grind well.

Our greatest efforts, it would therefore appear, must be made in the developing countries, by improving local varieties, or to produce, process, and distribute it locally. This is not feasible with all crops or in all countries, but a greater effort must be made.

Argentine farmers spray chemicals to defoliate alfalfa prior to harvesting seed.

Argentina's FACREA Helps Farmers Share Know-How

By MARTIN G. SCHUBKEGEL
Assistant U.S. Agricultural Attaché
Buenos Aires

Argentina ranks high among the world's leading exporters of farm products—beef and veal (No. 1), wheat and feedgrains, wool, vegetable oils, and hides and skins—but the country has only begun to exploit its vast agricultural potential. How to accomplish this is a vital concern to organizations in the government and to a notable private federation, FACREA—the Argentine Federation of Regional Societies for Agricultural Experimentation.

The problem—which boils down to lagging farm productivity—is being grappled on the official side by INTA, the National Institute of Agricultural Technology. Its activities, ranging from grassroots research and experimentation to field extension, are financed by a 1.5-percent tax on farm exports.

INTA's program is probably the most comprehensive of its kind in South America, but it sees room for improvement. At least 40 years will pass, according to one official, before the extension service can be expanded to handle the needs of the rural community. That, in effect, will require a fourfold increase in the number of extension workers, currently about 450. Meantime, the technology already achieved through research will outstrip the ability of producers to utilize it.

INTA has a 5-year backlog of research waiting to be applied, judges one producer, Pablo Hary, president and founder (in 1957) of FACREA. The organization has no official ties, although it works side by side with government in promoting the application of existing technology.

FACREA's ambition is to change the mentality of Argentine agriculturalists vis-a-vis modern farm practices. Farmers who traditionally resist new ideas must be made to see the advantages; those reluctant to adopt up-to-date methods for economic reasons, to realize the investment is often more intellectual than monetary; and the independent operators—who excel their counterparts in efficiency of output—to share their skills in the national interest.

Breaking down some barriers

Attacking on all three fronts, the Federation follows a policy which it call *puertas abiertas*, meaning "open doors." This applies to both mental and physical barriers —physical because in years past the farm gate warned "no trespassing" to those eager to borrow professional secrets.

Puertas abiertas obligates FACREA's members to pool their technical skills and experiences in a joint effort to improve the levels of farm output. This approach particularly facilitates the use of new seed varieties, fertilizers, and pesticides.

In all, there are some 60 groups of producers belonging to the Federation, with headquarters in Buenos Aires. Each has 10 to 12 members—a workable number—farming in the same district with similar soil, topography, climate, and agricultural enterprises. Helping to keep them posted on the activities of other participants—as well as to advise them on technical matters—are professional agronomists hired by each group to spend several days a month on their ranches. They are the liaison with the Federation and the other groups located in seven provinces.

Meeting every month at a different member's farm, the producers put into practice the FACREA philosophy of sharing know-how. An inspection tour of the farm begins each session, during which the participants can examine firsthand the host-member's production methods. The owner typically may be expected to tell how he achieved his exceptionally good wheat yield; but on the other hand, he may look to his associates for solutions to his problem of a low calving rate.

At a round-table critique that follows, individual ob-

servations are reported and discussed. Significant conclusions are passed to Federation headquarters for funneling to groups around the country. As a windup, the group is addressed by an invited specialist, or a member, on a theme of general interest.

Though relatively new to Argentina, FACREA is an adaptation of a French organization called CETA (Experimental Societies of Agricultural Technology). But unlike CETA, the Argentine version neither receives nor asks financial assistance from the government, perhaps for much the same reason that it does not seek a legal status. Says FACREA's handbook, the organization is a gentlemen's agreement, "inaccessible in case of an eventual attempt of absorption by the State."

To the contrary, every government since the founding of FACREA has been a stronger supporter of the movement. In his first major address to the nation, President Ongania singled out FACREA as the example of rural groups that represent a "truly persevering effort towards progress." He went on to offer "special words of encouragement from the Government so that they may carry on their pursuits. . . ."

The achievements of FACREA are tangible, as yields have improved significantly on the members' ranches in the past 10 years. An example has thus been set, and a direction marked, for those producers who have been slow to digest the fruits of technological research. By these criteria the success of FACREA should ultimately be measured. Though growth of the organization is contemplated, Pablo Hary reemphasizes that, numerically, the members of FACREA will never constitute a mass movement. That presumably would run contrary to its self-appointed role—to be a guide rather than a potentate in Argentine agriculture.

But the scientific findings of FACREA will always be available to all who seek them. At present, the Federation publishes a triannual bulletin describing members' solution to production problems; individual groups also publish the talks presented at the monthly meetings. FACREA's informational arm will be extended as more producers join.

FACREA's first group worked with corn for year-round rotational grazing of feeder cattle. Founder Pablo Hary, at right with paper, explains methods that were used and some results. (Lundberg photo). Choice cattle, below, earn less than 10 cents a pound; FACREA is trying to up efficiency (Sauberan photo).

An Argentine farmer who has had success producing an artificial pasture carries out the first principle of FACREA. He is sharing with other farmers the ideas and techniques which could help them obtain better grazing land for their own livestock.

USDA Buying Wheat in Advance for Donations

The Kansas City office of the Agricultural Stabilization and Conservation Service is currently buying wheat for donation to foreign countries under Title II of the Food for Freedom program, Public Law 480, during fiscal 1968. According to USDA officials, these purchases will provide additional market stability for producers by removing wheat from free stocks during harvest when supplies are at their heaviest.

The current purchases represent a continuation of the policy announced last March of obtaining supplies from the market rather than using Commodity Credit Corporation stocks. Although the total amount to be purchased has not yet been determined, it will be in excess of last year's donations. The wheat will be shipped abroad through international organizations and U.S. voluntary agencies, and, in some cases, directly to foreign governments.

Wheat exports under the foreign currency, barter, and long-term credit provisions of P.L. 480 are also drawn from free stocks.

U.S. Tobacco Exports Higher in May

U.S. exports of unmanufactured tobacco in May 1967 were sharply above those of May 1966. At 48.1 million pounds, they were more than double the 23.1 million shipped out in May a year ago. The value this year was $41.8 million, compared with $18.4 million last year.

For the period January-May 1967, exports totaled 212.2 million pounds, 44 percent larger than the 147.1 million shipped out in the first 5 months of 1966. During the 11-month period, July 1966 through May 1967, the export total was 587.9 million pounds, up 32.5 percent from 443.8 million in July 1965-May 1966. The total value of exports for the first 11 months of fiscal 1967 was $517.8 million.

The value of tobacco-product exports in May 1967 was $11.4 million, compared with $10.5 million in May 1966. For January-May 1967, the total value of tobacco-product exports was $54.9 million, compared with $53.0 million for the first 5 months of 1966.

U.S. EXPORTS OF UNMANUFACTURED TOBACCO
[Export weight]

Kind	May 1966	May 1967	January-May 1966	January-May 1967	Change from 1966
	1,000 pounds	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*	*Percent*
Flue-cured	15,704	37,436	103,987	152,879	+ 47.0
Burley	3,052	3,867	16,375	23,298	+ 42.3
Dark-fired Ky.-Tenn.	164	2,223	6,226	9,936	+ 59.6
Va. fire-cured[1]	271	208	2,009	2,010	.....
Maryland	633	2,283	3,017	7,167	+137.6
Green River	3	66	437	254	— 41.9
One Sucker	0	18	53	477	+800.0
Black Fat	413	354	1,437	1,894	+ 31.8
Cigar wrapper	533	299	2,374	1,174	— 50.5
Cigar binder	149	320	1,321	882	— 33.2
Cigar filler	34	79	308	274	— 11.0
Other	2,178	938	9,561	11,952	+ 25.0
Total	23,134	48,091	147,105	212,197	+ 44.2
	Mil. dol.	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*	*Percent*
Declared value	18.4	41.8	122.3	181.7	+ 48.6

[1]Includes sun-cured.
Bureau of the Census.

U.S. EXPORTS OF TOBACCO PRODUCTS

Kind	May 1966	May 1967	January-May 1966	January-May 1967	Change from 1966
Cigars and cheroots					*Percent*
1,000 pieces	6,780	8,541	28,445	32,105	+12.9
Cigarettes					
Million pieces	1,926	1,943	10,064	9,704	— 3.6
Chewing and snuff					
1,000 pounds	42	12	220	90	—59.1
Smoking tobacco in pkgs.					
1,000 pounds	93	125	410	537	+31.0
Smoking tobacco in bulk					
1,000 pounds	1,238	1,544	4,902	6,185	+26.2
Total declared value					
Million dollars	10.5	11.4	53.0	54.9	+ 3.6

Bureau of the Census.

French Cigarette Sales Continue To Climb

Sales of cigarettes in France continued to rise in the early months of this year. For the period January-May 1967, sales totaled 23 billion pieces, about 6 percent above the level of the first 5 months of 1966. About 22 billion pieces, or 96 percent of the total, consisted of brands manufactured by the French Monopoly. Of the remaining 1 billion pieces, the United States supplied 224 million pieces and members of the EEC 580 million.

Trinidad and Tobago Imports More Soybean Meal

Trinidad and Tobago has increased imports of soybean meal to meet the feed requirements of its small but growing livestock and poultry industry. Imports rose from 2,783 short tons in 1964 to 5,833 tons in 1966 and are expected to reach 6,500 tons in 1967. Over 98 percent of the soybean meal imported in 1966 came from the United States.

Chile's Output, Exports of Fishmeal and Oil

Production of fishmeal in Chile in 1966 amounted to a record 221,334 metric tons, 135 percent above the 94,231 tons produced in 1965 and 22 percent above the previous record of 1964. The abundance of anchovies in the northern fishing area boosted anchovy meal production to an alltime high of 189,504 tons. Output of other fishmeal reached 31,830 tons, 35 percent more than in the previous year.

Fish oil produced from the extraordinary catch showed a proportionate gain of 125 percent. Production rose to 22,625 tons, compared with 10,034 tons in 1965.

Exports of fishmeal reached a peak of 184,697 metric tons. Principal purchasers were the United States, which took over 40 percent, followed by the Netherlands, West Germany, and Belgium.

Fish oil exports were more than double those of 1965

and exceeded the 1964 record by 17 percent. Principal markets were West Germany, the Netherlands, and France.

CHILE'S PRODUCTION AND EXPORTS OF FISHMEAL AND FISH OIL

Item	1964	1965	1966
Fishmeal:	*Metric tons*	*Metric tons*	*Metric tons*
Production			
Anchovy	156,638	70,579	189,504
Other	17,640	23,653	31,830
Total	174,278	94,231	212,334
Exports	146,450	66,935	184,697
Fish oil:			
Production	17,600	10,034	22,675
Exports	13,710	7,942	16,401

Superintendence of Customs, Ministry of Agriculture and Trade, Chile.

Chile Increases Vegetable Oil Output in 1966

Production of fully refined vegetable oil in Chile during 1966 reached 51,380 metric tons, an increase of 20 percent over the 42,746 tons produced in 1965. Sunflower and rapeseed oils accounted for 96 percent of the total.

OUTPUT OF REFINED EDIBLE VEGETABLE OIL IN CHILE

Edible oil[1]	1965	1966	Forecast 1967
	Metric tons	*Metric tons*	*Metric tons*
Sunflowerseed oil	15,778	17,280	11,550
Rapeseed oil	25,318	32,340	23,940
Other oils	1,650	1,760	1,750
Total	42,746	51,380	37,240

[1]Refined basis.

Superintendence of Customs, Ministry of Agriculture and Trade, Santiago.

The increased production of vegetable oil resulted from larger oilseed crops in 1966. Output of sunflowerseed rose from 47,100 tons in 1965 to 54,000 tons in 1966, and rapeseed from 60,000 tons to a record of 77,000 tons. The entire output of both crops is crushed for oil, except for seed retained for planting.

Estimates of the area planted to sunflowerseed and rapeseed in 1967 are down by 28.2 and 27.8 percent, respectively. Sunflowerseed production is expected to drop by 35 percent and rapeseed by about 28 percent. Consequently, production of vegetable oil may decline as much as 27 percent in 1967.

Imports of vegetable oil for the current year are forecast at 22,800 metric tons, refined basis, compared with 12,272 tons in 1966. Principal suppliers have been the United States, the Netherlands, and Denmark.

India's Rapeseed and Mustardseed Acreage

According to the first official estimate, India's 1966-67 seedings of rapeseed and mustardseed are placed at 2,695,000 acres, 3 percent less than the corresponding adjusted estimate of 2,788,000 acres last year. In the past, the first estimate has represented only about 40 percent of the total area seeded to rapeseed and mustardseed. Total seedings in 1966 actually amounted to 7,144,000 acres. (In its first estimate, the Indian Government considers only that acreage sown completely to rapeseed, and not rapeseed and mustardseed sown mixed with other crops.)

The decrease in seedings in 1966-67 occurred largely in Madhya Pradesh, Haryana, and Uttar Pradesh and is attributed to inadequate moisture at sowing time.

The crop has been harvested, and production of rapeseed and mustardseed is unofficially estimated at 1.0 million metric tons, compared with the official estimate of 1.3 million tons harvested in 1966.

U.S. Share of Cotton Import Market Increases

Statistics from selected foreign countries (see accompanying table) show that raw cotton imports from the United States in designated months of 1966-67 accounted for 26 percent of their total cotton imports, compared with a U.S. share of 24 percent in the same months of 1965-66. This season's share was larger than that of a year earlier in 11 of the 15 countries.

Total cotton imports by the selected countries in the months specified amounted to 7.6 million bales (480 lb. net), an increase of 7.2 percent from those in the 1965-66 season. The larger trade in cotton in the current season resulted from an increase in aggregate consumption and from some replenishment of stocks in several countries. The United States was able to claim a larger share of the market because of smaller harvests in several foreign producing countries.

COTTON IMPORTS BY SPECIFIED COUNTRIES
[Bales of 480 lb. net]

Importing country	No. of mos.[1]	1965-66 Total	1965-66 From U.S.	1965-66 U.S. share	1966-67[2] Total	1966-67[2] From U.S.	1966-67[2] U.S. share
		1,000 bales	*1,000 bales*	*Per-cent*	*1,000 bales*	*1,000 bales*	*Per-cent*
Austria	8	74	21	28	71	14	20
Belgium	6	190	33	17	178	30	17
Canada	7	250	176	70	188	153	81
Denmark	9	20	6	30	20	11	55
Finland	9	52	8	15	58	10	17
France	10	1,040	121	12	1,112	177	16
Germany, West	9	953	90	9	972	141	14
Hong Kong	8	400	89	22	511	126	25
India	6	206	163	79	107	41	38
Italy	7	521	69	13	696	121	17
Japan	9	2,281	661	29	2,573	926	36
Netherlands	8	208	18	9	259	18	7
Sweden	8	64	53	83	58	50	86
Switzerland	8	132	27	20	159	37	23
United Kingdom	9	711	[3] 142	20	654	[3] 136	21
Total	....	7,102	1,677	24	7,616	1,991	26

[1]Seasons beginning August 1. [2]Statistics for some countries are preliminary. [3]Includes Mexican cotton transhipped through U.S. ports.

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Skyrocketing Pork Production Causes Surplus Problem in Japan

Japanese farmers are producing more pork than consumers are buying. Although the farmers are happy—they get a guaranteed price for all they produce—the government is in a quandary over the sizable stocks it has in storage. And U.S. producers have lost what was once a good-sized market.

Hog numbers have increased dramatically since 1963 when pork was in short supply. From an estimated 5.4 million hogs slaughtered in 1963, the number rose to 9.4 million in 1966 and will probably be about the same this year. Production this year is placed at about 565,000 metric tons, carcass weight, more than double the 279,000 produced 4 years ago. Consumption of pork, although at a relatively high level, has not kept pace with this production.

The Japanese Government, which inherits the surplus, is itself responsible for the production boom and the lag in consumption. The government has set floor prices equivalent to 40 cents per pound for good grade carcass pork and $55 per head for hogs on a liveweight basis, Tokyo market. Because production costs in an efficient operation are generally below the floor prices, farmers can—and do—produce pork without fear of losing money. Wholesalers and retailers, whose prices reflect the floor prices, cannot sell pork cheaply enough to spur buying.

The agency faced with disposing of the excess pork is the Livestock Industry Promotion Corporation (LIPC). A quasi-governmental group, LIPC is committed to buying pork on the wholesale market when prices fall below 40 cents per pound. For more than a year, prices have hovered around that level, sometimes lower, sometimes higher. LIPC purchases have likewise fluctuated, sometimes heavy, sometimes nil. However, the net result has been a sizable increase in pork stocks.

The situation became acute in late spring when available frozen-storage space was just about filled. Consequently, LIPC officials were looking in every direction to move out some of the 31,000 tons of frozen pork they have on hand, the equivalent of a month's consumption. Problems have developed because some of the pork has been in storage for more than a year.

LIPC is currently considering disposal programs that will not disrupt normal trading operations. One plan already in effect transfers part of the storage burden to private enterprise. LIPC decided to sell 2,000 metric tons of pork to local meat processors at favorable prices. At the same time, purchasers are required to buy from the regular wholesale market an additional amount of pork equal to 80-100 percent of that purchased from LIPC and put it into storage. LIPC is assuming 50 percent of the storage costs.

Another program aims to increase sales of pork in rural areas, where consumption is somewhat below that in cities. By the beginning of the current month, only 50 metric tons had been released for this purpose. Other plans include sales to the military and for school lunch programs. Details for these sales have not yet been worked out.

Some relief for Japan's pork problems is in sight. Hog numbers have dropped slightly in the past several months. Since consumption is fairly high, a shortage could develop within a year, and the cycle would begin all over again.

—Based on dispatch from JIMMY D. MINYARD
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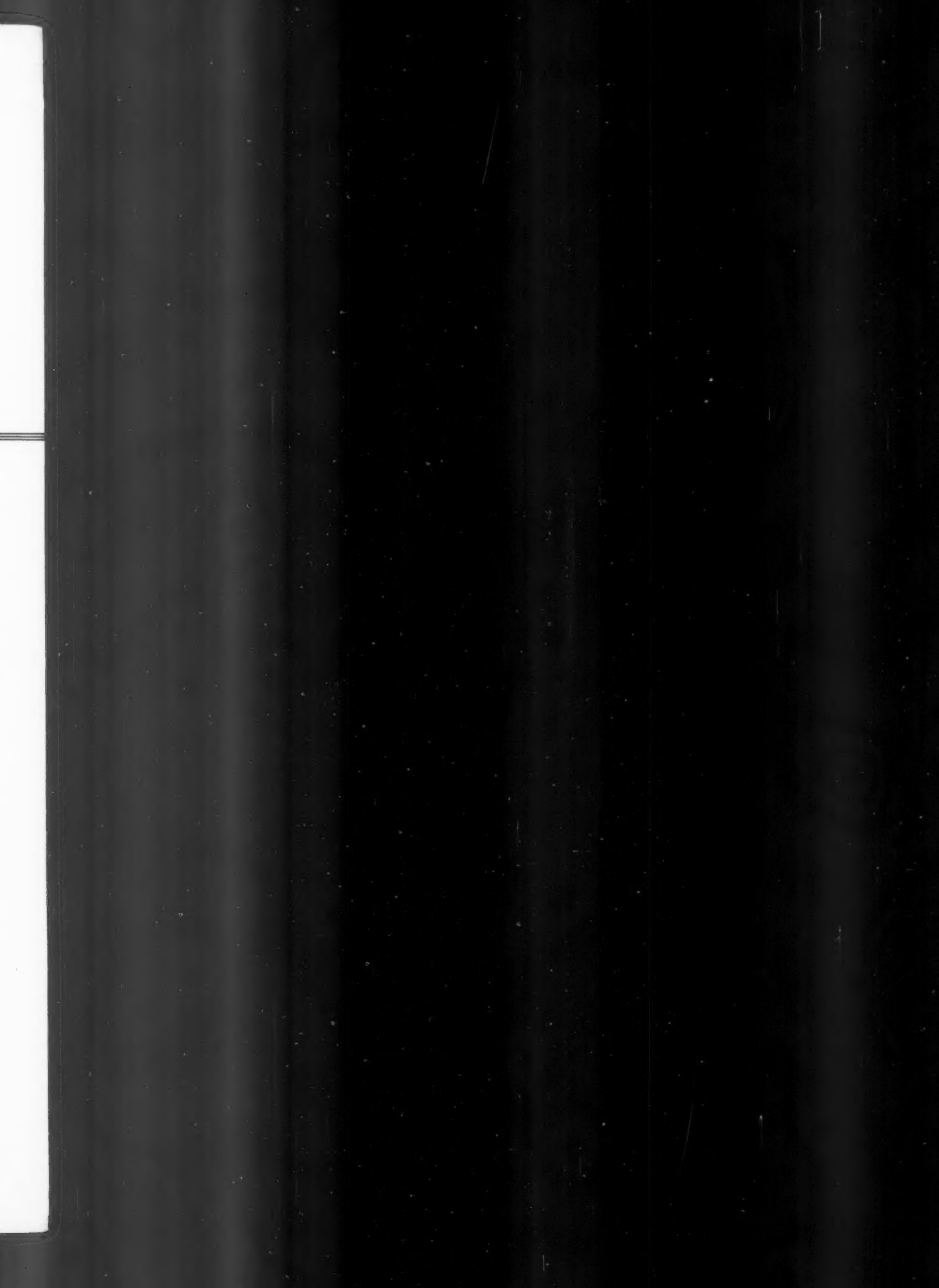
Recent FAS Circulars—European and American citrus trade and world meat production are topics of two new circulars now available from the Foreign Agricultural Service.

World Meat Production Record Set: Output Up 4 Percent (FLM 5-67) points out that production increased in all geographic regions. The circular includes detailed tables of output by type of meat and country. *European Citrus Marketing and U.S. Citrus Trade, 1965-66 Season* (FCF 3-67) provides a comprehensive look, with tables, at Europe's imports and U.S. imports and exports. For copies, write: USDA, Rm. 5918, Washington, D. C. 20250.

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